

Senate Study Bill 3263

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CO=CHAIRPERSON BOLKCOM)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to school funding by increasing the foundation
2 property tax levy, increasing the regular program foundation
3 base, providing on-time funding for school districts with
4 increasing enrollment, replacing the local option sales and
5 services tax for school infrastructure purposes with an
6 increase in the state sales and use tax rates, making an
7 appropriation, and including an effective date provision.
8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
9 TLSB 6601SK 81
10 mg/je/5

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1 1 Section 1. Section 8.57, subsection 6, paragraph f, Code
1 2 Supplement 2005, is amended to read as follows:
1 3 f. There is appropriated from the rebuild Iowa
1 4 infrastructure fund to the secure an advanced vision for
1 5 education fund created in section ~~423E.4~~ 423F.1, for each
1 6 fiscal year of the fiscal period beginning July 1, ~~2004~~ 2006,
1 7 and ending June 30, 2014, the amount of the moneys in excess
1 8 of the first forty-seven million dollars credited to the
1 9 rebuild Iowa infrastructure fund during the fiscal year, not
1 10 to exceed ten million dollars.
1 11 Sec. 2. Section 257.1, subsection 2, unnumbered paragraph
1 12 2, Code 2005, is amended to read as follows:
1 13 ~~For the budget year commencing July 1, 1999, and for each~~
~~1 14 succeeding budget year the regular program foundation base per~~
~~1 15 pupil is eighty-seven and five-tenths percent of the regular~~
~~1 16 program state cost per pupil. For the budget years beginning~~
~~1 17 July 1, 2006, through July 1, 2010, the regular program~~
~~1 18 foundation base per pupil shall be annually determined by the~~
~~1 19 department of management, in consultation with the legislative~~
~~1 20 services agency and the department of education, in an amount~~
~~1 21 which maintains the proportion of state foundation aid and~~
~~1 22 property taxation on a statewide basis as it existed for the~~
~~1 23 budget year beginning July 1, 2005. For the budget years~~
~~1 24 beginning July 1, 2006, through July 1, 2010, the regular~~
~~1 25 program foundation base per pupil shall be annually determined~~
~~1 26 by the department of management, in consultation with the~~
~~1 27 legislative services agency and the department of education,~~
~~1 28 by applying a specified percentage to the regular program~~
~~1 29 state cost per pupil, and adding property tax adjustment aid~~
~~1 30 under section 257.15. The percentage shall be that amount~~
~~1 31 which maintains the proportion of state foundation aid and~~
~~1 32 property taxation on a statewide basis as it existed for the~~
~~1 33 budget year beginning July 1, 2005. For purposes of this~~
~~1 34 unnumbered paragraph, state foundation aid shall include the~~
~~1 35 state share of the regular program district cost, the state~~
2 1 share of supplementary weighting pursuant to sections 257.11,
2 2 257.11A, and 280.4, and the state share of special education
2 3 instruction district cost, reduced by the amount generated by
2 4 the foundation property tax pursuant to section 257.3 for each
2 5 of these costs. For the budget year beginning July 1, 2011,
2 6 and each succeeding budget year, the regular program
2 7 foundation base per pupil is one hundred percent of the
2 8 regular program state cost per pupil. For the budget year
2 9 commencing July 1, 1991, and for each succeeding budget year
2 10 the special education support services foundation base is
2 11 seventy-nine percent of the special education support services

2 12 state cost per pupil. The combined foundation base is the sum
2 13 of the regular program foundation base and the special
2 14 education support services foundation base.
2 15 Sec. 3. Section 257.3, subsection 1, unnumbered paragraph
2 16 1, Code 2005, is amended to read as follows:
2 17 Except as provided in subsections 2 and 3, a school
2 18 district shall cause to be levied each year, for the school
2 19 general fund, a foundation property tax ~~equal to five dollars~~
2 20 ~~and forty cents calculated~~ per thousand dollars of assessed
2 21 valuation on all taxable property in the district as follows:
2 22 a. For the budget year beginning July 1, 2006, six dollars
2 23 and ten cents per thousand dollars of assessed valuation.
2 24 b. For the budget year beginning July 1, 2007, six dollars
2 25 and eighty cents per thousand dollars of assessed valuation.
2 26 c. For the budget year beginning July 1, 2008, seven
2 27 dollars and fifty cents per thousand dollars of assessed
2 28 valuation.
2 29 d. For the budget year beginning July 1, 2009, eight
2 30 dollars and twenty cents per thousand dollars of assessed
2 31 valuation.
2 32 e. For the budget year beginning July 1, 2010, eight
2 33 dollars and ninety cents per thousand dollars of assessed
2 34 valuation.
2 35 f. For the budget year beginning July 1, 2011, and each
3 1 succeeding budget year, the foundation property tax shall be
3 2 annually determined by the department of management, in
3 3 consultation with the legislative services agency and the
3 4 department of education, in an amount which maintains the
3 5 proportion of state foundation aid and property taxation on a
3 6 statewide basis as it existed for the budget year beginning
3 7 July 1, 2005.
3 8 g. If the calculations pursuant to paragraphs "a" through
3 9 "e" result in a higher proportion of foundation property tax
3 10 to state aid for a budget year than the proportion would be if
3 11 the foundation property tax were calculated pursuant to
3 12 paragraph "f", the foundation property tax shall be calculated
3 13 pursuant to paragraph "f" for the budget year.
3 14 PARAGRAPH DIVIDED. The county auditor shall spread the
3 15 foundation levy over all taxable property in the district.
3 16 Sec. 4. Section 257.3, subsection 2, paragraphs a and b,
3 17 Code 2005, are amended to read as follows:
3 18 a. Notwithstanding subsection 1, a reorganized school
3 19 district shall cause a reduced foundation property tax ~~of four~~
3 20 ~~dollars and forty cents per thousand dollars of assessed~~
3 21 ~~valuation~~ to be levied on all taxable property which, in the
3 22 year preceding a reorganization, was within a school district
3 23 affected by the reorganization as defined in section 275.1, or
3 24 in the year preceding a dissolution was a part of a school
3 25 district that dissolved if the dissolution proposal has been
3 26 approved by the director of the department of education
3 27 pursuant to section 275.55. The amount of the reduction shall
3 28 be determined by the department of management in an amount
3 29 corresponding to one dollar per thousand dollars of assessed
3 30 valuation for the initial budget year in which the
3 31 reorganization or dissolution takes place, fifty cents per
3 32 thousand dollars of assessed valuation for the first
3 33 succeeding year, and twenty-five cents per thousand dollars of
3 34 assessed valuation for the second succeeding year. Beginning
3 35 in the third succeeding year, the foundation property tax
4 1 shall be levied at the rate otherwise applicable had the
4 2 reorganization or dissolution not taken place.
4 3 b. In succeeding school years, the foundation property tax
4 4 levy on that portion shall be increased to the rate of four
4 5 dollars and ninety cents per thousand dollars of assessed
4 6 valuation the first succeeding year, five dollars and fifteen
4 7 cents per thousand dollars of assessed valuation the second
4 8 succeeding year, and five dollars and forty cents per thousand
4 9 dollars of assessed valuation the third succeeding year and
4 10 each year thereafter.
4 11 Sec. 5. Section 257.4, Code 2005, is amended by adding the
4 12 following new subsection:
4 13 NEW SUBSECTION. 4. The rate of the additional property
4 14 tax levy determined under subsection 1 for the budget years
4 15 beginning July 1, 2006, through July 1, 2010, shall be
4 16 correspondingly reduced in an amount determined by the
4 17 department of management if a statewide appropriation is made
4 18 for the purpose of reducing school district property taxes
4 19 from the secure an advanced vision for education fund
4 20 established in section 423F.1.
4 21 Sec. 6. Section 257.13, Code 2005, is amended by striking
4 22 the section and inserting in lieu thereof the following:

4 23 257.13 ON=TIME FUNDING FOR NEW STUDENTS.

4 24 1. For the budget years beginning July 1, 2006, and
4 25 succeeding budget years, if a district's actual enrollment for
4 26 the budget year, determined under section 257.6, is greater
4 27 than its budget enrollment for the budget year, the district
4 28 shall be entitled to receive on-time funding for new students.
4 29 An application for on-time funding must be received by the
4 30 department of education by October 1. The funding shall be in
4 31 an amount equal to the product of the district cost per pupil
4 32 for the budget year multiplied by the difference between the
4 33 actual enrollment for the budget year and the budget
4 34 enrollment for the budget year. The additional funding
4 35 received under this section is miscellaneous income to the
5 1 district.

5 2 2. If a district receives on-time funding for new students
5 3 under this section for a budget year, the department of
5 4 management shall determine the amount of this funding which
5 5 would have been generated by local property tax revenues if
5 6 the actual enrollment for the budget year had been used in
5 7 determining district cost for that budget year. The
5 8 department of management shall reduce, but not by more than
5 9 the amount of the on-time funding, the district's total state
5 10 school aid otherwise available under this chapter for the next
5 11 following budget year by the amount so determined, and shall
5 12 increase the district's additional property tax levy for the
5 13 next following budget year by the amount necessary to
5 14 compensate for the reduction in state aid, so that the local
5 15 property tax for the next following year will be increased
5 16 only by the amount which it would have been increased in the
5 17 budget year if the enrollment calculated in this section could
5 18 have been used to establish the levy.

5 19 3. There is appropriated from the secure an advanced
5 20 vision for education fund established in section 423F.1 to the
5 21 department of education an amount corresponding to the
5 22 following schedule for on-time funding:

5 23 a. For the fiscal year beginning July 1, 2006, and ending
5 24 June 30, 2007, six million dollars.

5 25 b. For the fiscal year beginning July 1, 2007, and ending
5 26 June 30, 2008, twelve million dollars.

5 27 c. For the fiscal year beginning July 1, 2008, and ending
5 28 June 30, 2009, eighteen million dollars.

5 29 d. For the fiscal year beginning July 1, 2009, and
5 30 succeeding fiscal years, an amount sufficient to pay on-time
5 31 funding to all school districts submitting an application for
5 32 a fiscal year.

5 33 If the amount of on-time funding requested by school
5 34 districts during the fiscal period beginning July 1, 2006, and
5 35 ending June 30, 2009, exceeds the appropriation for the fiscal
6 1 year pursuant to paragraphs "a" through "c" of this
6 2 subsection, a district shall receive an amount of on-time
6 3 funding determined by the department of education
6 4 corresponding to the proportion that the school district's
6 5 actual enrollment bears to the actual enrollment of all school
6 6 districts submitting a request for on-time funding for the
6 7 fiscal year.

6 8 The additional funding authorized under this section shall
6 9 be paid to school districts in monthly installments beginning
6 10 on December 15 and ending on June 15 of a budget year.

6 11 4. If the board of directors of a school district
6 12 determines that a need exists for additional funds exceeding
6 13 the amount provided in this section, a request for modified
6 14 allowable growth or supplemental aid based upon increased
6 15 enrollment may be submitted to the school budget review
6 16 committee as provided in section 257.31.

6 17 Sec. 7. Section 257.15, Code 2005, is amended by adding
6 18 the following new subsection:

6 19 NEW SUBSECTION. 4. COMPARISON AND PROPERTY TAX ADJUSTMENT

6 20 AID. For the school budget year beginning July 1, 2006, and
6 21 succeeding budget years, the department of management, in
6 22 consultation with the department of education and the
6 23 legislative services agency, shall annually calculate the
6 24 difference in the district property tax rate generated by the
6 25 provisions of sections 257.1 and 257.3, in comparison to the
6 26 district property tax rate which would be generated for the
6 27 school district pursuant to a foundation property tax levy
6 28 rate of five dollars and forty cents per thousand dollars of
6 29 assessed valuation and a regular program foundation base per
6 30 pupil of eighty-seven and five-tenths percent of the regular
6 31 program state cost per pupil. If the property tax rate
6 32 calculated pursuant to sections 257.1 and 257.3 for a school
6 33 district exceeds the property tax rate which would be

6 34 generated pursuant to a foundation property tax levy rate of
6 35 five dollars and forty cents per thousand dollars of assessed
7 1 valuation and a regular program foundation base per pupil of
7 2 eighty-seven and five-tenths percent of the regular program
7 3 state cost per pupil for the school district, the school
7 4 district shall receive property tax adjustment aid in an
7 5 amount equal to the difference in the tax rate multiplied by
7 6 the district's assessed valuation from funds appropriated
7 7 pursuant to section 257.16, subsection 1.
7 8 Sec. 8. Section 423.2, subsection 1, unnumbered paragraph
7 9 1, Code Supplement 2005, is amended to read as follows:
7 10 There is imposed a tax of ~~five~~ six percent upon the sales
7 11 price of all sales of tangible personal property, consisting
7 12 of goods, wares, or merchandise, sold at retail in the state
7 13 to consumers or users except as otherwise provided in this
7 14 subchapter.
7 15 Sec. 9. Section 423.2, subsections 2, 3, 4, and 5, Code
7 16 Supplement 2005, are amended to read as follows:
7 17 2. A tax of ~~five~~ six percent is imposed upon the sales
7 18 price of the sale or furnishing of gas, electricity, water,
7 19 heat, pay television service, and communication service,
7 20 including the sales price from such sales by any municipal
7 21 corporation or joint water utility furnishing gas,
7 22 electricity, water, heat, pay television service, and
7 23 communication service to the public in its proprietary
7 24 capacity, except as otherwise provided in this subchapter,
7 25 when sold at retail in the state to consumers or users.
7 26 3. A tax of ~~five~~ six percent is imposed upon the sales
7 27 price of all sales of tickets or admissions to places of
7 28 amusement, fairs, and athletic events except those of
7 29 elementary and secondary educational institutions. A tax of
7 30 ~~five~~ six percent is imposed on the sales price of an entry fee
7 31 or like charge imposed solely for the privilege of
7 32 participating in an activity at a place of amusement, fair, or
7 33 athletic event unless the sales price of tickets or admissions
7 34 charges for observing the same activity are taxable under this
7 35 subchapter. A tax of ~~five~~ six percent is imposed upon that
8 1 part of private club membership fees or charges paid for the
8 2 privilege of participating in any athletic sports provided
8 3 club members.
8 4 4. A tax of ~~five~~ six percent is imposed upon the sales
8 5 price derived from the operation of all forms of amusement
8 6 devices and games of skill, games of chance, raffles, and
8 7 bingo games as defined in chapter 99B, operated or conducted
8 8 within the state, the tax to be collected from the operator in
8 9 the same manner as for the collection of taxes upon the sales
8 10 price of tickets or admission as provided in this section.
8 11 Nothing in this subsection shall legalize any games of skill
8 12 or chance or slot-operated devices which are now prohibited by
8 13 law.
8 14 The tax imposed under this subsection covers the total
8 15 amount from the operation of games of skill, games of chance,
8 16 raffles, and bingo games as defined in chapter 99B, and
8 17 musical devices, weighing machines, shooting galleries,
8 18 billiard and pool tables, bowling alleys, pinball machines,
8 19 slot-operated devices selling merchandise not subject to the
8 20 general sales taxes and on the total amount from devices or
8 21 systems where prizes are in any manner awarded to patrons and
8 22 upon the receipts from fees charged for participation in any
8 23 game or other form of amusement, and generally upon the sales
8 24 price from any source of amusement operated for profit, not
8 25 specified in this section, and upon the sales price from which
8 26 tax is not collected for tickets or admission, but tax shall
8 27 not be imposed upon any activity exempt from sales tax under
8 28 section 423.3, subsection 78. Every person receiving any
8 29 sales price from the sources described in this section is
8 30 subject to all provisions of this subchapter relating to
8 31 retail sales tax and other provisions of this chapter as
8 32 applicable.
8 33 5. There is imposed a tax of ~~five~~ six percent upon the
8 34 sales price from the furnishing of services as defined in
8 35 section 423.1.
9 1 Sec. 10. Section 423.2, subsection 7, paragraph a,
9 2 unnumbered paragraph 1, Code Supplement 2005, is amended to
9 3 read as follows:
9 4 A tax of ~~five~~ six percent is imposed upon the sales price
9 5 from the sales, furnishing, or service of solid waste
9 6 collection and disposal service.
9 7 Sec. 11. Section 423.2, subsections 8 and 9, Code
9 8 Supplement 2005, are amended to read as follows:
9 9 8. a. A tax of ~~five~~ six percent is imposed upon the sales

9 10 price from sales of bundled services contracts. For purposes
9 11 of this subsection, a "bundled services contract" means an
9 12 agreement providing for a retailer's performance of services,
9 13 one or more of which is a taxable service enumerated in this
9 14 section and one or more of which is not, in return for a
9 15 consumer's or user's single payment for the performance of the
9 16 services, with no separate statement to the consumer or user
9 17 of what portion of that payment is attributable to any one
9 18 service which is a part of the contract.

9 19 b. For purposes of the administration of the tax on
9 20 bundled services contracts, the director may enter into
9 21 agreements of limited duration with individual retailers,
9 22 groups of retailers, or organizations representing retailers
9 23 of bundled services contracts. Such an agreement shall impose
9 24 the tax rate only upon that portion of the sales price from a
9 25 bundled services contract which is attributable to taxable
9 26 services provided under the contract.

9 27 9. A tax of ~~five~~ six percent is imposed upon the sales
9 28 price from any mobile telecommunications service which this
9 29 state is allowed to tax by the provisions of the federal
9 30 Mobile Telecommunications Sourcing Act, Pub. L. No. 106=252,
9 31 4 U.S.C. } 116 et seq. For purposes of this subsection, taxes
9 32 on mobile telecommunications service, as defined under the
9 33 federal Mobile Telecommunications Sourcing Act that are deemed
9 34 to be provided by the customer's home service provider, shall
9 35 be paid to the taxing jurisdiction whose territorial limits
10 1 encompass the customer's place of primary use, regardless of
10 2 where the mobile telecommunications service originates,
10 3 terminates, or passes through and shall in all other respects
10 4 be taxed in conformity with the federal Mobile
10 5 Telecommunications Sourcing Act. All other provisions of the
10 6 federal Mobile Telecommunications Sourcing Act are adopted by
10 7 the state of Iowa and incorporated into this subsection by
10 8 reference. With respect to mobile telecommunications service
10 9 under the federal Mobile Telecommunications Sourcing Act, the
10 10 director shall, if requested, enter into agreements consistent
10 11 with the provisions of the federal Act.

10 12 Sec. 12. Section 423.2, subsection 11, Code Supplement
10 13 2005, is amended to read as follows:

10 14 11. All revenues arising under the operation of the
10 15 provisions of this section shall be deposited ~~into the general~~
~~10 16 fund of the state as follows:~~

10 17 a. ~~Five-sixths of such revenues shall be deposited into~~
10 18 ~~the general fund of the state.~~

10 19 b. ~~One-sixth of such revenues shall be deposited into the~~
10 20 ~~secure an advanced vision for education fund created in~~
10 21 ~~section 423F.1.~~

10 22 Sec. 13. Section 423.5, unnumbered paragraph 1, Code
10 23 Supplement 2005, is amended to read as follows:

10 24 ~~An~~ Except as provided in subsection 3, an excise tax at the
10 25 rate of ~~five~~ six percent of the purchase price or installed
10 26 purchase price is imposed on the following:

10 27 Sec. 14. Section 423.5, subsection 3, Code Supplement
10 28 2005, is amended to read as follows:

10 29 3. ~~The~~ An excise tax at the rate of five percent is
10 30 imposed on the use of vehicles subject to registration, or
10 31 subject only to the issuance of a certificate of title and the
10 32 use of leased vehicles, on the amount subject to tax as
10 33 calculated pursuant to section 423.27.

10 34 Sec. 15. Section 423.43, Code Supplement 2005, is amended
10 35 by adding the following new subsection:

11 1 NEW SUBSECTION. 2A. One-sixth of all other revenues
11 2 arising under the operation of the use tax under subchapter
11 3 III shall be credited to the secure an advanced vision for
11 4 education fund created in section 423F.1.

11 5 Sec. 16. Section 423.43, subsection 3, Code Supplement
11 6 2005, is amended to read as follows:

11 7 3. All other revenue arising under the operation of the
11 8 use tax under subchapter III not credited as specified in
11 9 subsections 1, 2, and 2A shall be credited to the general fund
11 10 of the state.

11 11 Sec. 17. Section 423E.1, subsection 2, Code 2005, is
11 12 amended to read as follows:

11 13 2. The maximum rate of tax shall be one percent. The tax
11 14 shall be imposed without regard to any other local sales and
11 15 services tax authorized in chapter 423B, and is repealed at
11 16 the expiration of a period of ten years of imposition or a
11 17 shorter period as provided in the ballot proposition unless
11 18 the period is extended as provided in section 423E.2,
11 19 subsection 5. ~~However, all local option sales and services~~
11 20 ~~taxes for school infrastructure purposes are repealed December~~

~~11 21 31, 2022.~~

11 22 Sec. 18. Section 423E.1, Code 2005, is amended by adding
11 23 the following new subsection:

11 24 NEW SUBSECTION. 4. a. After July 1, 2006, a county no
11 25 longer has the authority under this chapter to impose or to
11 26 extend an existing local sales and services tax for school
11 27 infrastructure purposes.
11 28 b. The increase in the state sales, services, and use
11 29 taxes under chapter 423, subchapters II and III, from five
11 30 percent to six percent shall replace the county's
11 31 authorization to impose or extend a local sales and services
11 32 tax for school infrastructure purposes and to this extent the
11 33 local sales and services tax for school infrastructure
11 34 purposes is repealed. However, the distribution of moneys in
11 35 the secure an advanced vision for education fund and the use
12 1 of the moneys for infrastructure purposes or property tax
12 2 relief shall continue to apply as provided in chapter 423F.

12 3 Sec. 19. Section 423E.2, subsection 5, paragraph c, Code
12 4 2005, is amended to read as follows:

12 5 c. A local option sales and services tax shall not be
12 6 repealed or reduced in rate if obligations are outstanding
12 7 which are payable as provided in section 423E.5, unless funds
12 8 sufficient to pay the principal, interest, and premium, if
12 9 any, on the outstanding obligations at and prior to maturity
12 10 have been properly set aside and pledged for that purpose.
12 11 ~~However, this paragraph does not apply to the repeal of the~~
12 12 ~~tax on December 31, 2022, as specified in section 423E.1,~~
12 13 ~~subsection 2.~~

12 14 Sec. 20. Section 423E.4, subsection 1, Code Supplement
12 15 2005, is amended by striking the subsection.

12 16 Sec. 21. Section 423E.4, subsection 3, paragraph a, Code
12 17 Supplement 2005, is amended to read as follows:

12 18 a. The director of revenue by August 15 of each fiscal
12 19 year shall compute the guaranteed school infrastructure amount
12 20 for each school district, each school district's sales tax
12 21 capacity per student for each county, the statewide tax
12 22 revenues per student, and the supplemental school
12 23 infrastructure amount for the ~~coming~~ fiscal year.

12 24 Sec. 22. Section 423E.4, subsection 3, paragraph b,
12 25 subparagraph (3), Code Supplement 2005, is amended by striking
12 26 the subparagraph and inserting in lieu thereof the following:

12 27 (3) "Statewide tax revenues per student" means the amount
12 28 determined by estimating the total revenues that would be
12 29 generated by a one percent local option sales and services tax
12 30 for school infrastructure purposes if imposed by all the
12 31 counties during the entire fiscal year and dividing this
12 32 estimated revenue amount by the sum of the combined actual
12 33 enrollment for all counties as determined in section 423E.3,
12 34 subsection 5, paragraph "d", subparagraph (2).

12 35 Sec. 23. Section 423E.5, Code Supplement 2005, is amended
13 1 to read as follows:

13 2 423E.5 BONDING.

13 3 The board of directors of a school district shall be
13 4 authorized to issue negotiable, interest-bearing school bonds,
13 5 without election, and utilize tax receipts derived from the
13 6 sales and services tax for school infrastructure purposes and
13 7 the supplemental school infrastructure amount distributed
13 8 pursuant to section 423E.4, subsection 2, paragraph "b", and
13 9 revenues received pursuant to section 423F.1, for principal

13 10 and interest repayment. Proceeds of the bonds issued pursuant
13 11 to this section shall be utilized solely for school
13 12 infrastructure needs as school infrastructure is defined in
13 13 section 423E.1, subsection 3 and section 423F.2. Bonds issued
13 14 under this section may be sold at public sale as provided in
13 15 chapter 75, or at private sale, without notice and hearing as
13 16 provided in section 73A.12. Bonds may bear dates, bear
13 17 interest at rates not exceeding that permitted by chapter 74A,
13 18 mature in one or more installments, be in registered form,
13 19 carry registration and conversion privileges, be payable as to
13 20 principal and interest at times and places, be subject to
13 21 terms of redemption prior to maturity with or without premium,
13 22 and be in one or more denominations, all as provided by the
13 23 resolution of the board of directors authorizing their
13 24 issuance. The resolution may also prescribe additional
13 25 provisions, terms, conditions, and covenants which the board
13 26 of directors deems advisable, including provisions for
13 27 creating and maintaining reserve funds, the issuance of
13 28 additional bonds ranking on a parity with such bonds and
13 29 additional bonds junior and subordinate to such bonds, and
13 30 that such bonds shall rank on a parity with or be junior and
13 31 subordinate to any bonds which may be then outstanding. Bonds

13 32 may be issued to refund outstanding and previously issued
13 33 bonds under this section. ~~Local option sales and services tax~~
~~13 34 revenue~~ The bonds are a contract between contractual
~~13 35 obligation of the school district and holders~~, and the
14 1 resolution issuing the bonds and pledging local option sales
14 2 and services tax revenues or its share of the revenues
~~14 3 distributed pursuant to section 423F.1~~ to the payment of
14 4 principal and interest on the bonds is a part of the contract.
14 5 Bonds issued pursuant to this section shall not constitute
14 6 indebtedness within the meaning of any constitutional or
14 7 statutory debt limitation or restriction, and shall not be
14 8 subject to any other law relating to the authorization,
14 9 issuance, or sale of bonds.
14 10 A school district ~~in which a local option sales tax for~~
~~14 11 school infrastructure purposes has been imposed~~ shall be
14 12 authorized to enter into a chapter 28E agreement with one or
14 13 more cities or a county whose boundaries encompass all or a
14 14 part of the area of the school district. A city or cities
14 15 entering into a chapter 28E agreement shall be authorized to
14 16 expend its designated portion of the ~~local option sales and~~
~~14 17 services tax~~ revenues for any valid purpose permitted in this
14 18 chapter or authorized by the governing body of the city. A
14 19 county entering into a chapter 28E agreement with a school
14 20 district ~~in which a local option sales tax for school~~
~~14 21 infrastructure purposes has been imposed~~ shall be authorized
14 22 to expend its designated portion of the ~~local option sales and~~
~~14 23 services tax~~ revenues to provide property tax relief within
14 24 the boundaries of the school district located in the county.
14 25 A school district ~~where a local option sales and services tax~~
~~14 26 is imposed~~ is also authorized to enter into a chapter 28E
14 27 agreement with another school district, a community college,
14 28 or an area education agency which is located partially or
14 29 entirely in or is contiguous to the county where the ~~tax is~~
~~14 30 imposed school district is located~~. The school district or
14 31 community college shall only expend its designated portion of
14 32 the ~~local option sales and services tax~~ revenues for
14 33 infrastructure purposes. The area education agency shall only
14 34 expend its designated portion of the ~~local option school~~
~~14 35 infrastructure sales tax~~ revenues for infrastructure and
15 1 maintenance purposes.
15 2 The governing body of a city may authorize the issuance of
15 3 bonds which are payable from its designated portion of the
15 4 revenues of the ~~local option sales and services tax to be~~
~~15 5 received under this section~~, and not from property tax, by
15 6 following the authorization procedures set forth for cities in
15 7 section 384.83. A city may pledge irrevocably any amount
15 8 derived from its designated portions of the revenues ~~of the~~
~~15 9 local option sales and services tax~~ to the support or payment
15 10 of such bonds.
15 11 Sec. 24. NEW SECTION. 423F.1 SECURE AN ADVANCED VISION
15 12 FOR EDUCATION FUND.
15 13 1. A secure an advanced vision for education fund is
15 14 created as a separate and distinct fund in the state treasury
15 15 under the control of the department of revenue. Moneys in the
15 16 fund include revenues credited to the fund pursuant to this
15 17 chapter, appropriations made to the fund, and other moneys
15 18 deposited into the fund. Any amounts disbursed from the fund
15 19 shall be utilized for school infrastructure purposes or
15 20 property tax relief.
15 21 2. The moneys available in a fiscal year in the secure an
15 22 advanced vision for education fund after any appropriations
15 23 from the fund for purposes of chapter 257 shall be distributed
15 24 by the department of revenue to each school district in an
15 25 amount equal to the amount the school district would have
15 26 received pursuant to the formula in section 423E.4 as if the
15 27 local sales and services tax for school infrastructure
15 28 purposes was imposed.
15 29 3. a. The director of revenue by August 15 of each fiscal
15 30 year shall send to each school district an estimate of the
15 31 amount of tax moneys each school district will receive for the
15 32 year and for each month of the year. At the end of each
15 33 month, the director may revise the estimates for the year and
15 34 remaining months.
15 35 b. The director shall remit ninety-five percent of the
16 1 estimated tax receipts for the school district to the school
16 2 district on or before August 31 of the fiscal year and on or
16 3 before the last day of each following month.
16 4 c. The director shall remit a final payment of the
16 5 remainder of tax moneys due for the fiscal year before
16 6 November 10 of the next fiscal year. If an overpayment has
16 7 resulted during the previous fiscal year, the November payment

16 8 shall be adjusted to reflect any overpayment.
16 9 Sec. 25. NEW SECTION. 423F.2 USE OF REVENUES.
16 10 1. A school district receiving revenues from the secure an
16 11 advanced vision for education fund under this chapter shall
16 12 expend the revenues subject to this section for the following
16 13 purposes:
16 14 a. Reduction of bond levies under sections 298.18 and
16 15 298.18A and all other debt levies.
16 16 b. Reduction of the regular and voter-approved physical
16 17 plant and equipment levy under section 298.2.
16 18 c. Reduction of the public educational and recreational
16 19 levy under section 300.2.
16 20 d. Reduction of the schoolhouse tax levy under section
16 21 278.1, subsection 7, Code 1989.
16 22 e. For any authorized infrastructure purpose of the school
16 23 district as defined in section 423E.1.
16 24 f. For the payment of principal and interest on bonds
16 25 issued under sections 423E.5 and 423F.3.
16 26 2. Upon the expiration of a revenue purpose statement in
16 27 existence for the expenditure of local sales and services tax
16 28 for school infrastructure purposes imposed by a county
16 29 pursuant to chapter 423E prior to July 1, 2006, the board of
16 30 directors of a school district may take action to adopt a
16 31 revenue purpose statement specifying the specific purposes for
16 32 which the revenues received from the secure an advanced vision
16 33 for education fund will be expended. If a school district is
16 34 located in a county which has imposed a local sales and
16 35 services tax for school infrastructure purposes on July 1,
17 1 2006, this action shall be taken before expending or
17 2 anticipating revenues to be received after the unextended term
17 3 of the tax. Approval by the electors of an extended tax shall
17 4 constitute approval under this section.
17 5 3. The governing body shall institute proceedings to
17 6 approve a revenue purpose statement by causing a notice of the
17 7 meeting to discuss approval of a revenue purpose statement to
17 8 be published at least once in a newspaper of general
17 9 circulation within the school district at least ten days prior
17 10 to the meeting. Within thirty days following the meeting, the
17 11 board of directors shall take action to approve a revenue
17 12 purpose statement. If at any time before the end of the
17 13 thirty-day period after the meeting approving a revenue
17 14 purpose statement a petition is filed with the secretary of
17 15 the board asking that the question of approving the revenue
17 16 purpose statement be submitted to the registered voters of the
17 17 school district, the board shall either by resolution repeal
17 18 the action approving a revenue purpose statement or direct the
17 19 county commissioner of elections to call a special election
17 20 upon the question of approving the revenue purpose statement.
17 21 The petition must be signed by eligible electors equal to not
17 22 less than one hundred or thirty percent of the number of
17 23 voters at the last preceding regular school election. A
17 24 majority of those voting on the question must favor approval
17 25 of the revenue purpose statement.
17 26 4. The revenues received pursuant to this chapter shall be
17 27 expended for the purposes specified in the revenue purpose
17 28 statement. In the event that a board of directors has not
17 29 approved a revenue purpose statement, the revenues shall be
17 30 expended in the order listed in subsection 1. Once approved,
17 31 a revenue purpose statement is effective until amended or
17 32 repealed by the foregoing procedures. A revenue purpose
17 33 statement shall not be amended or repealed to reduce the
17 34 amount of revenue pledged to the payment of principal and
17 35 interest on bonds as long as any bonds authorized by sections
18 1 423E.5 and 423F.3 are outstanding unless funds sufficient to
18 2 pay principal, interest, and premium, if any, on the
18 3 outstanding obligations at or prior to maturity have been
18 4 properly set aside and pledged for that purpose.
18 5 5. A school district with a certified enrollment of fewer
18 6 than two hundred fifty pupils in the entire district or
18 7 certified enrollment of fewer than one hundred pupils in high
18 8 school shall not expend the amount received for new
18 9 construction without prior application to the department of
18 10 education and receipt of a certificate of need pursuant to
18 11 this subsection. A certificate of need is not required for
18 12 repairing schoolhouses or buildings, equipment, technology, or
18 13 transportation equipment for transporting students as provided
18 14 in section 298.3, or for construction necessary for compliance
18 15 with the federal Americans With Disabilities Act pursuant to
18 16 42 U.S.C. } 12101-12117. In determining whether a
18 17 certificate of need shall be issued or denied, the department
18 18 shall consider all of the following:

18 19 a. Enrollment trends in the grades that will be served at
18 20 the new construction site.
18 21 b. The infeasibility of remodeling, reconstructing, or
18 22 repairing existing buildings.
18 23 c. The fire and health safety needs of the school
18 24 district.
18 25 d. The distance, convenience, cost of transportation, and
18 26 accessibility of the new construction site to the students to
18 27 be served at the new construction site.
18 28 e. Availability of alternative, less costly, or more
18 29 effective means of serving the needs of the students.
18 30 f. The financial condition of the district, including the
18 31 effect of the decline of the budget guarantee and unspent
18 32 balance.
18 33 g. Broad and long-term ability of the district to support
18 34 the facility and the quality of the academic program.
18 35 h. Cooperation with other educational entities including
19 1 other school districts, area education agencies, postsecondary
19 2 institutions, and local communities.

19 3 Sec. 26. NEW SECTION. 423F.3 BORROWING AUTHORITY FOR
19 4 SCHOOL DISTRICTS.

19 5 A school district may anticipate its share of the revenues
19 6 under section 423F.1 by issuing bonds in the manner provided
19 7 in section 423E.5. However, to the extent any school district
19 8 has issued bonds anticipating the proceeds of an extended
19 9 local sales and services tax for school infrastructure
19 10 purposes imposed by a county pursuant to chapter 423E prior to
19 11 July 1, 2006, the pledge of such revenues for the payment of
19 12 principal and interest on such bonds shall be replaced by a
19 13 pledge of its share of the revenues under section 423F.1.

19 14 Sec. 27. CONSTRUCTION CONTRACTORS.

19 15 1. Construction contractors may make application to the
19 16 department of revenue for a refund of the additional one
19 17 percent tax paid under chapter 423 by reason of the increase
19 18 in the sales and use taxes from five to six percent for taxes
19 19 paid on goods, wares, or merchandise under the following
19 20 conditions:

19 21 a. The goods, wares, or merchandise are incorporated into
19 22 an improvement to real estate in fulfillment of a written
19 23 contract fully executed prior to July 1, 2006. The refund
19 24 shall not apply to equipment transferred in fulfillment of a
19 25 mixed construction contract.
19 26 b. The contractor has paid to the department of revenue or
19 27 to a retailer the full six percent tax.
19 28 c. The claim is filed on forms provided by the department
19 29 of revenue and is filed within one year of the date the tax is
19 30 paid.

19 31 2. A contractor who makes an erroneous application for
19 32 refund shall be liable for payment of the excess refund paid
19 33 plus interest at the rate in effect under section 421.7. In
19 34 addition, a contractor who willfully makes a false application
19 35 for refund is guilty of a simple misdemeanor and is liable for
20 1 a penalty equal to fifty percent of the excess refund claimed.
20 2 Excess refunds, penalties, and interest due under this section
20 3 may be enforced and collected in the same manner as the tax
20 4 imposed by chapter 423.

20 5 Sec. 28. APPLICABILITY. This section applies in regard to
20 6 the increase in the state sales and use taxes from five to six
20 7 percent. The six percent rate applies to all sales of taxable
20 8 personal property, consisting of goods, wares, or merchandise
20 9 if delivery occurs on or after July 1, 2006. The six percent
20 10 use tax rate applies to the use of property when the first
20 11 taxable use in this state occurs on or after July 1, 2006.
20 12 The six percent rate applies to the gross receipts from the
20 13 sale, furnishing, or service of gas, electricity, water, heat,
20 14 pay television service, and communication service if the date
20 15 of billing the customer is on or after July 1, 2006. In the
20 16 case of a service contract entered into prior to July 1, 2006,
20 17 which contract calls for periodic payments, the six percent
20 18 rate applies to those payments made or due on or after July 1,
20 19 2006. This periodic payment applies but is not limited to
20 20 tickets or admissions, private club membership fees, sources
20 21 of amusement, equipment rental, dry cleaning, reducing salons,
20 22 dance schools, and all other services subject to tax, except
20 23 the aforementioned utility services which are subject to a
20 24 special transitional rule. Unlike periodic payments under
20 25 service contracts, installment sales of goods, wares, and
20 26 merchandise are subject to the full amount of sales or use tax
20 27 when the sales contract is entered into or the property is
20 28 first used in Iowa.

20 29 Sec. 29. EFFECTIVE DATE.

20 30 The sections of this Act amending section 257.1 relating to
20 31 the calculation of the regular program foundation base per
20 32 pupil, relating to the foundation property tax pursuant to
20 33 section 257.3, relating to the additional property tax levy
20 34 pursuant to section 257.4, providing for on-time funding for
20 35 new students pursuant to section 257.13, and providing for the
21 1 payment of property tax adjustment aid pursuant to section
21 2 257.16, being deemed of immediate importance, take effect upon
21 3 enactment.

21 4 EXPLANATION

21 5 This bill increases and modifies the levels and methods of
21 6 computation of the foundation property tax levy and the
21 7 regular program foundation base within the school finance
21 8 formula, and provides on-time funding for new students.

21 9 The bill provides that for the budget years beginning July
21 10 1, 2006, through July 1, 2010, the regular program foundation
21 11 base per pupil shall be annually determined by the department
21 12 of management, in consultation with the legislative services
21 13 agency and the department of education, in an amount which
21 14 maintains the proportion of state foundation aid and property
21 15 taxation on a statewide basis as it existed for the budget
21 16 year beginning July 1, 2005. The bill specifies that for this
21 17 purpose, state foundation aid shall include the state share of
21 18 the regular program district cost, the state share of
21 19 supplementary weighting pursuant to Code sections 257.11,
21 20 257.11A, and 280.4, and the state share of special education
21 21 instruction district cost, reduced by the amount generated by
21 22 the foundation property tax pursuant to Code section 257.3 for
21 23 each of these costs. For the budget year beginning July 1,
21 24 2011, and succeeding budget years, the bill provides that the
21 25 regular program foundation base per pupil is 100 percent of
21 26 the regular program state cost per pupil.

21 27 With regard to the level of the foundation property tax,
21 28 the bill provides that the tax shall equal for the budget year
21 29 beginning July 1, 2006, \$6.10 per \$1,000 of assessed
21 30 valuation, for the budget year beginning July 1, 2007, \$6.80
21 31 per \$1,000 of assessed valuation, for the budget year
21 32 beginning July 1, 2008, \$7.50 per \$1,000 of assessed
21 33 valuation, for the budget year beginning July 1, 2009, \$8.20
21 34 per \$1,000 of assessed valuation, and for the budget year
21 35 beginning July 1, 2010, \$8.90 per \$1,000 of assessed
22 1 valuation. The bill provides that for the budget year
22 2 beginning July 1, 2011, and succeeding budget years, the
22 3 foundation property tax shall be annually determined by the
22 4 department of management, in consultation with the legislative
22 5 services agency and the department of education, in an amount
22 6 which maintains the proportion of state foundation aid and
22 7 property taxation on a statewide basis as it existed for the
22 8 budget year beginning July 1, 2005. The bill provides that if
22 9 the specified increases in foundation property tax rates
22 10 result in a higher proportion of foundation property tax to
22 11 state aid for a budget year than the proportion would be if
22 12 the foundation property tax were calculated as it existed for
22 13 the budget year beginning July 1, 2005, then for the budget
22 14 year beginning July 1, 2011, and succeeding budget years, the
22 15 foundation property tax shall be calculated using the 2005=
22 16 2006 budget year proportion.

22 17 Currently, a district which reorganizes or dissolves, with
22 18 the reorganization or dissolution taking effect on or before
22 19 July 1, 2006, qualifies for a reduced foundation property tax
22 20 level, which gradually increases over the next succeeding
22 21 budget years following the reorganization or dissolution. The
22 22 bill modifies these provisions such that the amount of the
22 23 reduction shall be determined annually by the department of
22 24 management in an amount corresponding to \$1 in the initial
22 25 year of the reorganization or dissolution, 50 cents in the
22 26 first succeeding year, and 25 cents in the second succeeding
22 27 year. The bill provides that the reduced foundation property
22 28 tax shall remain applicable for a period of three years
22 29 beginning with the year in which the reorganization or
22 30 dissolution takes place, after which the level shall be
22 31 increased to the level which would otherwise be applicable had
22 32 a reorganization or dissolution not occurred.

22 33 The bill provides that the rate of the additional property
22 34 tax levy determined pursuant to Code section 257.4 for the
22 35 budget years beginning July 1, 2006, through July 1, 2010,
23 1 shall be reduced in an amount determined by the department of
23 2 management if a statewide appropriation is made for the
23 3 purpose of reducing school district property taxes from the
23 4 secure an advanced vision for Iowa fund established in Code
23 5 section 423F.1.

23 6 The bill provides that for the school budget year beginning
23 7 July 1, 2006, and succeeding budget years, the department of
23 8 management, in consultation with the department of education
23 9 and the legislative services agency, shall annually calculate
23 10 the difference in the district property tax rate generated by
23 11 the provisions of Code sections 257.1 and 257.3, in comparison
23 12 to the district property tax rate which would be generated for
23 13 the school district pursuant to a foundation property tax levy
23 14 rate of \$5.40 per \$1,000 of assessed valuation and a regular
23 15 program foundation base per pupil of 87.5 percent of the
23 16 regular program state cost per pupil. If the first
23 17 calculation exceeds the second, the bill states that the
23 18 school district shall receive property tax adjustment aid in
23 19 an amount equal to the difference in the tax rate multiplied
23 20 by the district's assessed valuation from funds appropriated
23 21 pursuant to Code section 257.16, subsection 1.

23 22 The bill provides, for fiscal years beginning July 1, 2006,
23 23 and succeeding fiscal years, that if the actual enrollment of
23 24 a school district exceeds the budget enrollment for the budget
23 25 year, the district shall receive additional funding
23 26 attributable to the increased enrollment in an amount equal to
23 27 the regular program state cost per pupil for the budget year
23 28 multiplied by the difference between the actual and budget
23 29 enrollment figures for the budget year. Currently, on-time
23 30 funding is granted by the school budget review committee and
23 31 is payable through property tax rather than state aid. The
23 32 additional funding is classified as miscellaneous income.
23 33 Requests for on-time funding shall be received by the
23 34 department by October 1.

23 35 The bill provides that additional funding received in a
24 1 given budget year will impact the following year's state aid
24 2 and property tax levels. The amount which would have been
24 3 generated by property taxes if the actual (increased)
24 4 enrollment figure was used in determining the district cost
24 5 will be calculated by the department of management. This
24 6 amount will reduce the level of state aid available to the
24 7 district for the following year, but not by more than the
24 8 amount of the additional funding. The district's additional
24 9 property tax levy for the following budget year will then be
24 10 increased by the amount necessary to compensate for the
24 11 reduction in state aid.

24 12 The bill appropriates from the secure an advanced vision
24 13 for Iowa fund established in Code section 423F.1 \$6 million
24 14 for on-time funding for the fiscal year beginning July 1,
24 15 2006, \$12 million for the fiscal year beginning July 1, 2007,
24 16 and \$18 million for the fiscal year beginning July 1, 2008,
24 17 and makes a standing unlimited appropriation for the fiscal
24 18 year beginning July 1, 2009, and succeeding fiscal years. The
24 19 bill provides that during the appropriation phase-in for the
24 20 fiscal period beginning July 1, 2006, and ending June 30,
24 21 2009, the department of education shall prorate requests if
24 22 the amount requested exceeds the amount appropriated for the
24 23 fiscal year. Additional amounts may be requested by a school
24 24 district in the form of a request for supplemental aid to the
24 25 school budget review committee.

24 26 The bill provides that the sections relating to school
24 27 finance take effect upon enactment.

24 28 The bill increases the state sales and use taxes from 5
24 29 percent to 6 percent, except for motor vehicles where the rate
24 30 remains at 5 percent. The increased revenues are deposited
24 31 into a new secure an advanced vision for education fund to be
24 32 distributed to all school districts after appropriations from
24 33 the fund for purposes of the school aid program are made.
24 34 Those state revenues are to replace the local option sales and
24 35 services tax for school infrastructure purposes. A statewide
25 1 amount per pupil is computed each fiscal year based upon the
25 2 estimated amount that would be generated by a 1 percent local
25 3 sales and services tax divided by combined enrollment of all
25 4 school districts. Each district will receive an amount equal
25 5 to the amount that it would have received under the formula if
25 6 the local sales and services tax for school infrastructure was
25 7 imposed.

25 8 Revenues received are to be used according to a revenue
25 9 purpose statement that was in existence under the replaced
25 10 tax. Prior to use of any revenues after the replaced tax
25 11 expires, the school district may hold a public meeting on the
25 12 adoption of a revenue purpose statement. If a valid petition
25 13 to hold an election is submitted, then the school district
25 14 either withdraws the revenue purpose statement or an election
25 15 is held. A valid petition has signatures equal to 100
25 16 eligible voters or 30 percent of the number of voters at the

25 17 last regular school election.

25 18 The purposes for which the revenues may be used are the
25 19 reduction of bond levies, regular and voter approved physical
25 20 plant and equipment levy, public educational and recreational
25 21 levy, and schoolhouse tax levy, authorized infrastructure
25 22 purposes as defined in Code section 423E.1, and payment of
25 23 principal and interest of bonds issued under Code chapters
25 24 423E or 423F. If a revenue purpose statement is not approved,
25 25 the revenues are to be used in the order listed for the above
25 26 purposes.

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